

22 August 1974

BRIEFING NOTE FOR THE DIRECTOR

SUBJECT: Briefing of Assistant Secretary of Defense (Comptroller)
Terence E. McClary on Air America Renegotiation
Problem

1. I briefed Mr. McClary yesterday in preparation for his participation later in the morning in the meeting with Chairman Whitehead of the Renegotiation Board with Deputy Secretary of Defense William P. Clements, Jr. Whitehead had requested the meeting.

2. Upon learning that Air America (AA) is wholly owned by CIA and that the proceeds of its imminent dissolution will accrue to the benefit of the Treasury, he agreed that the renegotiation is a useless and wasteful exercise. Because much of the work and reporting by AA has already been done, we discussed the possibility that Whitehead might tell Clements that the Board will accept a settlement of \$2 million without hearings and that this would be a suitable and preferable way for that part of the company's assets to be returned to the Treasury. McClary accepted our position that any additional work is undesirable, especially in that the Board's report of the settlement could raise questions in Congress and result in publicity. While Defense cannot force Whitehead to follow its recommendations, McClary knows that Whitehead is virtually powerless since he must rely on the Department of Justice for enforcement and they are unwilling to act.

3. As a matter of interest, it has been reported that Mr. Whitehead has tendered his resignation under pressure from Senator Proxmire, but the General Counsel of the Board advised me on Monday that he was now not certain the resignation would take place. Whitehead has been criticized severely by Proxmire for his handling of the renegotiation of McDonnell Douglas contracts and for an order he apparently gave to his General Counsel not to permit a newly appointed member of the Board to have access to the Board's McDonnell Douglas files.

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Acting General Counsel

Renegotiation Board

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OFFICIAL ROUTING SLIP

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Remarks:

The briefing note on my meeting with Assistant Secretary McClary for your use with Deputy Secretary Clements. Also attached as background is John Warner's briefing note of 17 April which pretty well summarizes our dealings with the Board.

cc: DDCI

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FROM: NAME, ADDRESS AND PHONE NO.

DATE

Acting General Counsel

8/22/74